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Lenovo™

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

PROPOSED ISSUANCE OF US\$675 MILLION 3.375% CONVERTIBLE BONDS DUE 2024

THE PROPOSED ISSUANCE OF CONVERTIBLE BONDS

The Board is pleased to announce that on January 15, 2019, the Company, the Joint Lead Managers and the Co-Manager entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue, and the Joint Lead Managers have conditionally, severally and not jointly, agreed to subscribe and pay for, or procure subscribers to subscribe and pay for, the Bonds in an aggregate principal amount of US\$675,000,000.

Based on the initial Conversion Price of HK\$7.99 per Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 662,539,112 Shares, representing:

- (i) approximately 5.51% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 5.23% of the issued share capital of the Company, as enlarged by full conversion of the Bonds.

The Bonds and the Conversion Shares have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act.

LISTING

The Company will apply to the Stock Exchange for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules and in the SFO) only and for the listing and permission to deal in the Conversion Shares.

PROPOSED USE OF NET PROCEEDS

The Company intends to use the net proceeds from the offering of the Bonds, together with the net proceeds from other potential debt financing, for the repayment of the Company's 4.700% Senior Unsecured Notes due 2019 and general corporate purposes.

GENERAL MANDATE

The Conversion Shares (if and when issued) will be issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on July 5, 2018.

GENERAL

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Accordingly, the Bonds may or may not be issued or listed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

SUBSCRIPTION AGREEMENT

On January 15, 2019, the Company, the Joint Lead Managers and the Co-Manager entered into the Subscription Agreement with details as follows:

Subscription

Subject to the fulfilment (and/or waiver) of the conditions set out below under the section headed "Conditions Precedent to Subscription", the Joint Lead Managers severally and not jointly agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in an aggregate principal amount of US\$675,000,000.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Joint Lead Managers and the Co-Manager is a third party independent of the Company and is not a connected person of the Company.

The Joint Lead Managers have informed the Company that they intend to offer and sell the Bonds to not less than six placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) is a third party independent of the Company and will not become connected persons of the Company as a result of the subscription for the Bonds and upon conversion of the Bonds.

Conditions Precedent to Subscription

The Joint Lead Managers shall only be under obligation to subscribe and pay for the Bonds if certain conditions precedent have been satisfied or waived by the Joint Lead Managers, including:

1. the Joint Lead Managers being satisfied with the results of their due diligence investigations with respect to the Company and its subsidiaries and the Offering Circular having been prepared in form and content reasonably satisfactory to the Joint Lead Managers;
2. the Joint Lead Managers having received such certificates, letters, resolutions, consents, approvals, authorisations, opinions and documents relating to the issue of the Bonds, as the Joint Lead Managers may require;
3. the Bonds having been completed, executed and delivered as appropriate by the Company substantially in the respective forms agreed between the Company and the Joint Lead Managers;
4. in the opinion of the Joint Lead Managers, there having been no adverse change of the Company and/or its subsidiaries that is material in the context of the issue and offering of the Bonds or which is likely to prejudice materially the issue and offering of the Bonds or dealings in the Bonds on the secondary market;
5. the representations and warranties by the Company contained in the Subscription Agreement being true and accurate on the Issue Date;
6. the Stock Exchange having granted the approval of the listing of, and permission to deal in the Conversion Shares upon conversion of the Bonds and the Stock Exchange having agreed, subject to any conditions satisfactory to the Joint Lead Managers, to list the Bonds; and
7. the Bonds and the relevant currency being accepted for settlement by Euroclear Bank SA/NV and Clearstream Banking S.A.

As at the date of this announcement, the above conditions precedent to the completion of the Subscription Agreement are yet to be satisfied and/or (as the case may be) waived by the Joint Lead Managers.

Termination

Any of the Joint Lead Managers may give a termination notice to the Company at any time prior to the payment for the subscription of the Bonds to the Company on the Issue Date upon the occurrence of certain events, including:

1. any representation and warranty by the Company in the Subscription Agreement is or proves to be untrue or incorrect on the date of the Subscription Agreement or on any date on which it is deemed to be repeated;
2. the Company fails to perform any of its obligations under the Subscription Agreement;

3. any of the conditions precedent set out in the Subscription Agreement is not satisfied or waived by Joint Lead Managers on the Issue Date;
4. in the opinion of the Joint Lead Managers, (i) there have been such a change in financial, political or economic conditions in China or internationally or currency exchange rates or exchange controls as is likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market, or (ii) there shall have occurred any event or series of events, as is likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market; and
5. the Shares or any other securities of the Company cease to be quoted on the Stock Exchange or on any other exchange or over-the-counter market.

The Company's lock-up undertakings

The Company has undertaken to the Joint Lead Managers that neither the Company nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers, between the date hereof and the date which is 90 calendar days after the Issue Date (both dates inclusive), except for (i) the Bonds and the Conversion Shares issued on conversion of the Bonds and (ii) the Shares issued or options granted pursuant to the employee share incentive scheme of the Company.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarized as follows:

Issuer:	The Company
Principal amount of the Bonds:	US\$675,000,000
Maturity Date:	January 24, 2024 (5 years)
Issue Price:	100% of the aggregate principal amount of the Bonds.
Interest Rate:	3.375% per annum calculated by reference to the principal amount of the Bonds.

Settlement Date	January 24, 2019
Status:	The Bonds constitute direct, general, unconditional, unsubordinated and (subject to negative pledge) unsecured obligations of the Company which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Form and Denomination:	The Bonds are in registered form only in the denominations of US\$200,000 each and integral multiples of US\$1,000 in excess thereof.
Conversion Period:	Subject to the terms and conditions of the Bonds, the conversion right attaching to any Bond may be exercised: <ul style="list-style-type: none"> (i) at the option of the holder thereof, at any time on or after 41 days after the Issue Date up to the close of business (at the place where the bond certificate evidencing such Bond is deposited for conversion) on the 10th day prior to the Maturity Date (both days inclusive) (except if (a) the Company shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any events of defaults as provided in the terms and conditions of the Bonds or (c) any Bond is not redeemed on the Maturity Date in accordance with the terms and conditions of the Bonds), or (ii) if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by such Bondholder pursuant to the (a) redemption for delisting, suspension of trading or change of control or (b) redemption at the option of the Bondholders, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.
Conversion Price:	Subject to the terms and conditions of the Bonds, the Conversion Price will initially be HK\$7.99 per Share, but will be subject to adjustments including but not limited to (i) consolidation, subdivision or reclassification of the Shares; (ii) capitalisation of profits or reserves; (iii) distributions; (iv) rights issues of Shares or options over Shares; (v) rights issues of other securities; (vi)

issues at less than current market price; (vii) other issues at less than current market price; (viii) modification of rights of conversion etc.; and (ix) other offers to Shareholders.

Ranking of Conversion Shares: The Shares issued upon conversion of the Bonds will be fully-paid and in all respects rank *pari passu* with the Shares in issue on the relevant registration date.

Redemption at Maturity: Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at its principal amount on the Maturity Date. Without prejudice to any events of defaults as provided in the terms and conditions of the Bonds, the Company may not redeem the Bonds at its option prior to that date except for (i) redemption for taxation reasons and (ii) redemption at the option of the Company, each as described below.

Redemption for Taxation Reasons: The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount then outstanding, together with interest accrued (if any) to (but excluding) the date fixed for redemption, if (a) the Company has or will become obliged to pay additional taxes as a result of any change in, or amendment to, the laws or regulations of any relevant jurisdiction or any change in the official application or interpretation of such laws or regulations, which change or amendment, in the case of the Company, becomes effective on or after January 15, 2019, and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional taxes were a payment in respect of the Bonds then due.

If the Company issues a tax redemption notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed. In case of such election, all payments made to an electing Bondholder after the tax redemption notice date will be made subject to deduction of withholding of any tax required to be made and no additional tax amounts will be paid with respect thereto.

Redemption at the Option of the Company: On giving not less than 30 nor more than 60 days' notice to the Bondholders and the trustee of the Bonds, the Company may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption provided that prior to the date of such notice at least 90% in principal amount of the Bonds

originally issued has already been converted, redeemed or purchased and cancelled.

Redemption for Delisting, Suspension of Trading or Change of Control at the Option of the Bondholder:

Each Bondholder shall have the right to require the Company to redeem all but not some only of such Bondholder's Bonds at their principal amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption when (i) the Shares cease to be listed or admitted to trading on the Stock Exchange or suspended for trading on the Stock Exchange for a period equal to or exceeding 30 consecutive trading days or (ii) there is a change of control event.

Redemption at the Option of the Bondholder on the Put Option Date:

The Put Option Date, the Bondholder will have the right, at his/her/its option, to require the Company to redeem all or some only of the Bonds of such Bondholders on the Put Option Date at 100 per cent. of their principal amount. To exercise such right, the relevant Bondholder must complete, sign and deposit at the specified office of any paying agent a duly completed and signed notice of redemption, in the then current form obtainable from the specified office of any paying agent together with the bond certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

Negative Pledge:

So long as any Bond remains outstanding (as defined in the trust deed in relation to the Bonds), the Company will not, and will procure that none of its subsidiaries will, create or permit to subsist any mortgage, pledge, lien, charge, assignment by way of security or any other security interest upon the whole or any part of its property or assets, present or future, to secure any indebtedness (as defined in the terms and conditions of the Bonds) (or any guarantee or indemnity in respect thereof) unless, in such case, the Bonds are secured either: (i) equally and rateably with or prior to such indebtedness (or such guarantee or indemnity in respect thereof); or (ii) by such other security as is approved by an extraordinary resolution (as defined in the trust deed in relation to the Bonds) of the Bondholders.

CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price of HK\$7.99 per Share represents (i) a premium of approximately 40.0% over the last closing price of HK\$5.71 per Share as quoted on the Stock Exchange on January 15, 2019 (being the trading day on which the Subscription Agreement was signed); and (ii) a premium of approximately 44.8% over the average closing price of approximately HK\$5.52 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including January 15, 2019.

The Conversion Price was determined with reference to the prevailing market price of the Shares and the terms and conditions of the Subscription Agreement and was negotiated on an arm's length basis between the Company and the Joint Lead Managers.

The number of Conversion Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond converted (translated into Hong Kong dollars at the fixed rate of HK\$7.8425/US\$1.00) by the Conversion Price in effect on the conversion date of the Bond. Based on the initial Conversion Price of HK\$7.99 per Share and assuming full conversion of the Bonds at the Conversion Price, the Bonds will be convertible into 662,539,112 Shares, representing:

- (i) approximately 5.51% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 5.23% of the issued share capital of the Company, as enlarged by full conversion of the Bonds.

LISTING

The Company will apply to the Stock Exchange for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules and in the SFO) only and for the listing and permission to deal in the Conversion Shares.

PROPOSED USE OF NET PROCEEDS

The Company intends to use the net proceeds from the offering of the Bonds, together with the net proceeds from other potential debt financing, for the repayment of the Company's 4.700% Senior Unsecured Notes due 2019 and general corporate purposes.

EFFECT ON SHAREHOLDINGS

The table below sets out a summary of the shareholdings in the Company (i) as at the date of this announcement and (ii) upon the exercise in full of the conversion rights attached to the Bonds at the initial Conversion Price:

<u>Shareholders</u>	<u>As at the date of this announcement</u>		<u>Upon full conversion of the Bonds at the initial Conversion Price of HK\$7.99 each</u>	
	<i>Number of Shares</i>	<i>Approximate % of the total issued share capital</i>	<i>Number of Shares</i>	<i>Approximate % of the total issued share capital</i>
LHL ⁽¹⁾	2,867,636,724	23.82%	2,867,636,724	22.57%
RLL ⁽²⁾	388,819,317	3.23%	388,819,317	3.06%
LEL ⁽³⁾	240,100,000	1.99%	240,100,000	1.89%
SHL ⁽⁴⁾	622,804,000	5.17%	622,804,000	4.90%
Union Star ⁽⁵⁾	906,136,890	7.53%	906,136,890	7.13%
Directors of the Company ⁽⁶⁾	108,766,635	0.90%	108,766,635	0.85%
Subscribers for the Bonds	-	-	662,539,112	5.23%
Other public Shareholders	6,880,528,048	57.36%	6,880,528,048	54.37%
Total	12,014,791,614	100.00%	12,677,330,726	100.00%

Notes:

- (1) Legend Holdings Corporation (“**LHL**”), a company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 3396).
- (2) Right Lane Limited (“**RLL**”), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of LHL.
- (3) Legion Elite Limited (“**LEL**”), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of RLL.
- (4) Sureinvest Holdings Limited (“**SHL**”), a company incorporated in the British Virgin Islands and an investment holding company held as to 87.00% by Mr. Yang Yuanqing, 4.66% by Mr. Wong Wai Ming (chief financial officer of the Company) and 8.34% by eight other individuals.
- (5) Union Star Limited (“**Union Star**”), a company incorporated in the Cayman Islands and is held as to 21.00%, 32.00% and 47.00% by SHL, LHL (through LEL) and Red Eagle Group (PTC) Limited (through Harvest Star Limited), respectively. Harvest Star Limited is a company incorporated in the Cayman Island and a wholly owned subsidiary of Red Eagle Group (PTC) Limited (a company incorporated in the British Virgin Islands and a trust holding company of an employee benefit trust of the Company).
- (6) Without taking into account of the share awards held by the Directors.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS

The Directors are of the view that the raising of funds by the issuance of the Bonds is beneficial considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position.

GENERAL MANDATE

The Conversion Shares (if and when issued) will be issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on July 5, 2018.

FUND-RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS

The Company has not raised any fund by issuing equity securities during the 12 months immediately before the date of this announcement.

GENERAL

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Accordingly, the Bonds may or may not be issued or listed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Board”	the board of Directors
“Bonds”	the convertible bonds that may be offered and issued by the Company to professional investors (as defined in Chapter 37 of the Listing Rules and in the SFO) only

“Bondholder(s)”	holder(s) of the Bonds
“Co-Manager”	Credit Suisse (Hong Kong) Limited
“Company”	Lenovo Group Limited, a company incorporated on October 5, 1993 with limited liability under the laws of Hong Kong, the ordinary shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	means the price per Conversion Share (subject to adjustments) at which the Bonds may be converted into the Shares
“Conversion Share(s)”	means the Share(s) to be issued upon conversion of the Bonds pursuant to the terms and conditions of the Bonds
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Date”	January 24, 2019
“Joint Lead Managers”	Citigroup Global Markets Limited, Morgan Stanley & Co. International plc, BNP Paribas Securities (Asia) Limited, DBS Bank Ltd. and CLSA Limited
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Offering Circular”	means the offering circular to be prepared by the Company for use in connection with the issue of the Bonds and the listing of the Bonds on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement
“Put Option Date”	January 24, 2021
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
“Shares”	means the shares of the Company which are listed on the Stock Exchange

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	means the subscription agreement dated January 15, 2019 entered into between the Company, the Joint Lead Managers and the Co-Manager in connection with the issue and offering of the Bonds
“U.S.” or “United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time
“US\$”	United States dollars, the lawful currency of the United States

By Order of the Board of
LENOVO GROUP LIMITED
Yang Yuanqing
*Chairman and
Chief Executive Officer*

January 15, 2019

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan and Mr. Zhao John Huan; and the independent non-executive directors are Dr. Tian Suning, Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown, Ms. Ma Xuezheng, Mr. Yang Chih-Yuan Jerry and Mr. Gordon Robert Halyburton Orr.